EAGLE GOLD MINES LIMITED

ANNUAL REPORT

1968

EAGLE GOLD MINES LIMITED

ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 1968

Dumping waste rock from loading pocket at 1710 foot elevation.

EAGLE GOLD MINES LIMITED

Officers	Paul Penna, *President and Managing Director* Jean Geller, *Secretary-Treasurer*
Directors	Archie Basen, *Executive, American Louver of Canada Limited* Jean Geller, *Bookkeeper, Jakmin Investments Limited* William L. Hogarth, Jr. *Executive, Associated Arcadia Nickel Corporation Limited* Paul Penna, *Executive, Jakmin Investments Limited* Rupert F. Righton, *Barrister, Shibley, Righton & McCutcheon*
Mine Staff	Mine Manager, Harry V. Pyke, B.Sc., P.Eng. General Superintendent, J. B. Smith Chief Geologist, D. Rogers, B.A. (Geol.) Mine Accountant, H. E. Burton
Auditors	Starkman, Kraft, Rothman, Berger & Grill Chartered Accountants, Toronto, Ontario
Bankers	Canadian Imperial Bank of Commerce, City Hall Branch, Toronto, Ontario Royal Bank of Canada, Head Office Branch, Toronto, Ontario
Registrar and Transfer Agent	Guaranty Trust Company of Canada Toronto and Montreal, Canada
Shares Listed	Canadian Stock Exchange, Montreal, Quebec
Executive and Head Office	Suite 1101, 365 Bay Street, Toronto, Ontario
Mine Office	P.O. Box 310, Joutel, Quebec
Annual Meeting	June 24, 1969, at 11:00 a.m. (Toronto Time) Library, Royal York Hotel, 100 Front Street West, Toronto, Ontario

DIRECTORS' REPORT

Your Directors submit the Annual Report of the Company including the balance sheet and related financial statements for the year ended December 31, 1968. The report of the mine manager is also included.

The following is a summary of developments at the Company's gold property in Joutel Township, Quebec, and a review of the current and scheduled program of underground development in preparation for commencement of production planned for early 1970.

Shaft Work

Sinking of the three-compartment shaft was completed on schedule to a depth of 1860 feet during July of 1968. This included the cutting of level stations at 150 foot intervals down to the 1800 foot elevation, lip pocket excavations at each level, and an ore loading pocket and spill pocket at the 1710 and 1760 foot elevations, respectively.

Hoisting, mining and other equipment were installed and operative during that month in preparation for the commencement of the underground lateral development work. Provision has been made to facilitate future deepening of the shaft with the widening of the manway compartment commencing at the 1650 foot level and continuing to the shaft bottom, and the relocation of the electric cables, water, air and ventilation pipes and other service equipment outside of the manway compartment.

A detailed description of the foregoing and other phases of the shaft work completed prior to the underground development work is contained in the appended mine manager's report.

Underground Development

The purpose of the underground program was to initially confirm tonnage and grade estimates derived from earlier surface diamond drilling and enable the determination of the proposed milling rate, as well as to advance stope preparation to coincide with the planned commencement of production early in 1970.

In order to minimize stope preparation costs, production mining will commence on each of three levels (1500, 1200 and 900) and in each instance will continue through 300 vertical feet (two levels). For this reason, the lateral development on these mining levels has been, for the most part, in ore; whereas the lateral development on the alternate levels (1350, 1050 and 750) referred to as footwall drifting has been parallel to and a short distance (50-75 feet) from the ore zone.

Above: Core diamond drilling on the 1200 foot ore drift, drill-testing new gold zone encountered east of the gabbro dike.

The ore drifting checks the lateral continuity of the ore zone whereas the footwall drifting permits the diamond drilling of relatively short holes horizontally, inclined up and inclined down to check both lateral and vertical continuity.

Where the ore zone is wider than the ore drift or in those instances in which previous drilling has indicated parallel structure, definition drilling is carried out. These short holes drilled into both drift walls at twenty-five foot spacing yield a clear picture of the ore lens and permit a calculation of tons and grade of ore.

Drifting into the ore zone has and is being carried out on the 900, 1200 and 1500 foot levels, as well as drifting in the footwall on the 750, 1050 and 1350 foot levels. An idealized longitudinal projection of the shaft and underground workings is reproduced in this report, depicting the lateral development in section but not in plan. The longitudinal projection shows the progress of lateral development to the end of March, and the plotting of drill intersections to the end of February.

The underground program as described in the foregoing will expedite stope preparation and at the same time define continuity of the gold-bearing zone throughout the area now under development.

Since the completion of shaft sinking a cumulative total to the end of March, 1969, of 8,494 feet of drifting and crosscutting, 1,753 feet of raising, and 16,194 feet of underground diamond drilling has been completed. During this same period excavations for stations, sumps, etc., have involved the removal of 162,674 cubic feet of rock. At the end of March, 1969, there were 9,735 tons of ore stockpiled on surface.

New Ore Potential

As shown on the appended longitudinal projection, significant extensions to the gold-bearing zone have been indicated on the three levels which to date have been driven beyond the outline of the ore zone defined by earlier surface diamond drilling.

Drilling from the west footwall drift of the 1050 foot level has intersected the ore zone some 200 feet beyond the previous ore limit. Drilling from the footwall drift on the 1350 foot level has intersected ore approximately 150 feet beyond the previously established limit of the zone, and similarly, drilling from the west face of the drift on the 1500 foot level has intersected ore approximately 200 feet beyond the previously established ore limit.

The area east of the gabbro dike where the drift on the 1200 foot level was directed to probe surface drill indications of copper, is particularly interesting. The drift has now been extended for a distance of approximately 800 feet east of the gabbro dike. A series of drill holes intersected gold values along a strike length of some 400 feet. This drilling outlined two lenses totalling 275 feet in length and grading 0.305 ounce of gold per ton. A north crosscut has been driven off the main 1200 east drift to intersect and provide access to this new ore zone.

This gold-bearing zone east of the gabbro dike represents an entirely new area never included in previous ore estimates. The vertical continuity of this new zone will be initially tested by the footwall drifts on the 1050 and 1350 foot levels. The face of the footwall drift on the 1050 foot level is now at the east contact of the gabbro dike, and the face of the footwall drift on the 1350 foot level is at the west contact of the gabbro dike.

The copper values indicated in the earlier surface drilling have not yet been encountered in any of the drill holes from the 1200 foot main east drift.

The drift along an approximate length of 300 feet between the shaft and the west side of the

Shaft headframe at Joutel Township gold property. This scene shows start of excavation (foreground) for mill building complex.

gabbro dike on the 1200 foot level has demonstrated low values and narrow widths in the work completed to date. However, only limited drilling has been done in this sector owing to the emphasis on the drifting east of the gabbro dike. The significance of the conditions on this section of the 1200 foot level is not yet known, however, work on the level above and the two levels below has shown satisfactory results.

Quite apart from the new ore zone encountered east of the gabbro dike on the 1200 foot level and which will shortly be probed for vertical continuity on three levels, the area west of the previously defined ore limits is considered as potentially favorable ground.

Continuity below the 1500 foot horizon has already been indicated in the single drill hole (U-10-5) put down to test the depth extension. This hole, as previously reported, intersected the zone approximately 120 feet below the 1500 foot horizon, returning 0.41 ounce of gold over a width of 30.6 feet. There is no known geological reason not to expect that the ore zone will extend below the presently indicated 1620 foot horizon. Drilling and/or development below the latter horizon is presently being deferred owing to the priority of the current development work on the levels above.

Underground development projected for the current phase will include, in addition to the present drives on the 1050 and 1350 foot levels to test the new ore zone, drifting east and west on the 900 foot level, west on the 1050, 1200 and 1350 foot levels, and drifting east on the 1500 foot level.

Ore Reserves

As stated in previous reports, surface diamond drilling indicated ore reserves estimated at 1,600,000 tons averaging 0.41 ounce of gold per ton across a width of 13.1 feet between the approximate 300 foot horizon down to the then maximum tested depth of 1,500 feet. This estimate includes a 15% allowance for dilution.

Alternatively, using a lower cut-off grade and including some lower grade ore to the west in the upper horizon, the surface drill indicated reserves were estimated at 2,240,000 tons averaging 0.345 ounce of gold per ton, also with a 15% dilution factor. These are designated as the 'A' and 'B' ore estimates.

The foregoing ore reserve estimates represent the equivalent of 1,330 and 1,870 tons per vertical foot, respectively.

Although the present underground development is not sufficiently advanced to permit a recalculation of estimated grade and tonnage, current underground results indicate strong possibilities for substantially greater tonnage with a moderate reduction in grade.

A comparison is made between the surface drill indicated reserves at the approximate 750 foot horizon on the basis of a zone length of 1,370 feet grading 0.45 ounce of gold per ton (before dilution) over an average width of 9.7 feet, or 1,330 tons per vertical foot.

On the 1050 and 1200 foot levels where lateral development is the most advanced, a series of underground holes drilled at 100 foot intervals along the zone west of the gabbro dike on the 1050 foot level, together with holes drilled at 100 foot intervals along the zone east of the gabbro dike on the 1200 foot level, indicate a zone length of 1,500 feet, of which 1,200 feet grades 0.39 ounce of gold per ton over an average width of 19.0 feet, or the equivalent of 2,300 tons per vertical foot. With a 20% allowance for dilution, this would represent the equivalent of 2,750 tons per vertical foot grading 0.326 ounce of gold per ton.

Considerable work remains to be completed on the 1350 and 1500 foot levels. It is interesting to note that in the work completed to date

on the 1350 foot level, 700 feet of drifting has been completed along the zone west of the gabbro dike. A series of flat holes at 100 foot intervals has outlined a length of 650 feet grading 0.34 ounce of gold over an average width of 15.7 feet.

On the 1500 foot level, drifting together with definition drilling, has been completed along 500 feet of the zone west of the gabbro dike, three lenses have been outlined with a combined length of 377 feet. This includes 70 feet grading 0.28 ounce of gold across an average width of 11.3 feet; 173 feet grading 0.403 ounce across an average width of 20.0 feet; and 134 feet grading 0.435 ounce across an average width of 14.7 feet. These grades and widths are before any allowance for dilution.

It is expected that by the end of September the present underground program will be sufficiently advanced to recalculate the overall grade and tonnage. The results to date have been most encouraging.

Metallurgical Research

Additional metallurgical tests are being carried out at three separate laboratories under the supervision of Kilborn Engineering Ltd., utilizing bulk ore samples obtained from the current underground development work. The most recent research has been directed toward the addition of a pre-aeration with lime stage prior to cyanidation. The addition of this pre-aeration stage has reduced cyanide consumption and increased the percentage recovery of gold.

This test work has indicated that a 93-95% recovery could be expected by fine grinding (90% minus 325 mesh) and pre-aeration with lime followed by cyanidation.

It is estimated that the reduction in cyanide reagent costs plus the increased gold recovery may increase the operating profit by a minimum of $1.00 per ton.

Engineering design of the process flowsheet and the general layout of the mill are approximately 100% finalized. The engineering design envisages a milling plant with an initial capacity of 800 tons per day. This planned treatment rate may require adjustments based upon the results of the underground development work.

As shown in recent photographs taken at the minesite which are reproduced in this report, excavation of clay overburden in preparation for the foundation work for the mill building complex scheduled for this summer, is now in progress. Winter conditions facilitate the removal of this material.

General

In assessing the economics of this project it is pertinent to note that it was initiated on the premise of profitability on the basis of a gold price of $35.00 (U.S.) per ounce, and the knowledge that the location of the property is outside of those gold mining areas presently eligible for the Canadian Government Emergency Gold Mining Assistance (cost-aid) subsidies. At the present time only five of Canada's principal gold producing mines do not receive cost-aid, electing to sell their product on the open or 'free' gold markets.

At the time of writing, gold prices on the open or 'free' market, are at a level of approximately $43.00 (U.S.) per ounce, an increment of about 20% above the official price prior to the introduction of the 'two-tier' system in March of last year. This increase, and the possibility that higher gold prices may be attained at the time the mine is placed into production, would appreciably enhance the profit margin.

Expenditures to date on the Company's gold property in Joutel Township approximate $3.5

million. The estimated expenditure for the next phase, covering the period from April 1st, 1969, to September 30th, 1969, total an additional $2.8 million. The funds raised to date have been entirely by equity financing (sale of treasury shares) and the Board proposes to continue this policy to avoid funded debt and related interest charges. At the forthcoming Annual Meeting, shareholders will be asked to vote on a special resolution passed by the Board of Directors to increase the authorized capital of the Company from $6,000,000 to $7,000,000 by creating an additional 1,000,000 shares with a par value of $1.00 each.

Your Directors record with deepest regret the death on January 15, 1969, of Mr. Walter F. Brown, the Company's consulting mining engineer. Mr. Brown was intimately associated with the current project in Joutel Township and it is a reflection of his ability and knowledge that the forward planning of the underground development, both in the general concept and the detail of engineering, is precisely in accordance with the program now in progress. His sustained interest in this undertaking was very much appreciated by all of his colleagues on the Board of Directors and the mining staff. An appropriate tribute to Mr. Brown is presented in this report.

Your Directors express appreciation for the efficient services rendered by the Mine Manager, Mr. Harry V. Pyke and other members of his staff and mine employees.

On behalf of the Board of Directors,

"PAUL PENNA",
President and Managing Director.

21 April, 1969.

Sketch of planned mill and related buildings integrated with existing shaft headframe and service buildings.

BALANCE SHEET AS AT DECEMBER 31, 1968

(With comparative figures as at December 31, 1967)

ASSETS

	1968
Current Assets	
Cash	$ 67,586
Bank term deposits	617,845
Road contribution receivable — Province of Quebec	—
Accounts receivable	3,945
Supplies — at average cost	2,111
	$ 691,487
Fixed Assets — (at cost)	
Road	$ 188,090
Buildings	401,024
Equipment	525,423
	$1,114,537
Mining Claims and Properties	
For cash	$ 14,500
For 43,250 shares	10,893
	$ 25,393
Deferred — Development expenses (per attached statement)	$2,753,657
— General and administrative expenses (per attached statement)	219,735
	$2,973,392
Other Assets	
Investment in shares of mining company (at nominal value)	$ 1
Organization expenses	7,110
Deposit with Quebec Hydro	14,212
	$ 21,323
	$4,826,132

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities			
Accounts payable and accrued charges			$ 259,010
Contractor's holdback payable			15,000
			$ 274,010
Shareholders' Equity			
Capital Stock			
Authorized			
6,000,000 Shares of $1.00 each			
Issued and Fully Paid			
December 31, 1967	5,009,252 shares		$5,009,252
Less: Discount (net)			961,229
			$4,048,023
Issued during 1968			
For Cash	490,748 shares		490,748
Add: Premium			785,197
	5,500,000 shares		$5,323,968
Deficit (per attached statement)			(771,846)
			$4,552,122
			$4,826,132

EAGLE GOLD MINES LIMITED

(Incorporated Under the Laws of the Province of Ontario)

	1967
	$ 139,055
	400,000
	60,000
	3,587
	22,994
	$ 625,636
	$ 188,090
	340,095
	411,750
	$ 939,935
	$ 14,500
	10,893
	$ 25,393
	$1,606,454
	182,353
	$1,788,807
	$ 1
	7,110
	18,300
	$ 25,411
	$3,405,182
	$ 114,005
	15,000
	$ 129,005
	$5,009,252
	961,229
	$4,048,023
	(771,846)
	$3,276,177
	$3,405,182

AUDITORS' REPORT

To the Shareholders

We have examined the balance sheet of Eagle Gold Mines Limited as at December 31, 1968 and the statements of deferred development expenses, deferred general and administrative expenses, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario
February 10, 1969

The accompanying Notes to Financial Statements form an integral part of these statements.

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

PAUL PENNA, Director

JEAN GELLER, Director

To be read in conjunction with the Auditors' Report to the Shareholders attached hereto dated February 10, 1969.

STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1968
(With comparative figures for the year ended December 31, 1967)

	1968	1967
Balance — beginning of year	$ 771,846	$ 745,195
Add: Mining properties written off	—	$ 15,000
Write-off of development expenses on abandoned properties	—	11,651
	—	$ 26,651
BALANCE — end of year	$ 771,846	$ 771,846

STATEMENT OF DEFERRED DEVELOPMENT EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1968
(With comparative figures for the year ended December 31, 1967)

Joutel Township — Group II	1968	1967
Shaft sinking	$ 397,612	$ 425,293
Underground exploration	387,098	—
Wages and salaries	122,363	65,263
Maintenance	66,547	12,928
Heating and hydro	61,558	23,389
Mine supplies and expenses	50,638	37,971
Licences, taxes, insurance	20,681	4,546
Consultant's fees and expenses	12,136	12,179
Engineers' fees and expenses	7,370	75,546
Survey	5,702	—
Metallurgical expenses	3,882	3,074
Telephone	3,464	4,028
Travelling expenses	3,374	5,323
Equipment rental	2,849	19,822
Clearing site, excavations	1,913	11,266
Diamond drilling	—	9,740
	$1,147,187	$ 710,368
McCaul Township		
Licenses, fees	$ 16	$ 16
Joutel Township — Group IV		
Diamond drilling	—	$ 4,915
Electromagnetic survey	—	4,390
	—	$ 9,305
	$1,147,203	$ 719,689
Balance Deferred at Beginning of Year	1,606,454	898,416
	$2,753,657	$1,618,105
Deduct: Expenses on properties abandoned during year written off to deficit	—	11,651
TOTAL DEFERRED DEVELOPMENT EXPENSES	$2,753,657	$1,606,454

STATEMENT OF DEFERRED GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1968
(With comparative figures for the year ended December 31, 1967)

	1968	1967
Shareholders' information and meetings	$ 37,836	$ 14,833
Legal and audit	24,608	33,259
Transfer agent's fees and expenses	17,041	6,973
Miscellaneous office expenses	3,300	1,744
Executive officers' salary	11,248	6,000
Head Office services	6,000	6,000
Share certificate expense	4,698	2,364
Advertising	1,713	255
Directors' fees	350	950
Government fees and taxes	325	40
Listing and filing fees	274	613
Bank charges and interest	104	5,721
	$ 107,497	$ 78,752
Less: Interest earned	70,115	2,860
	$ 37,382	$ 75,892
Balance Deferred at Beginning of Year	182,353	106,461
TOTAL DEFERRED GENERAL AND ADMINISTRATIVE EXPENSES	$ 219,735	$ 182,353

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968
(With comparative figures for the year ended December 31, 1967)

	1968	1967
Working Capital — beginning of year	$ 496,631	$ 103,735
SOURCE OF FUNDS		
Sale of capital stock	$ 490,748	$1,820,000
Premium on sale of capital stock	785,197	321,000
Refund of deposit — Quebec Hydro	4,088	—
Advances — contractors	—	5,712
	$1,280,033	$2,146,712
APPLICATIONS OF FUNDS		
Development expenses	$1,147,203	$ 719,689
General and administrative expenses	37,382	75,892
Road, buildings and equipment	174,602	939,935
Deposit — Quebec Hydro	—	18,300
	$1,359,187	$1,753,816
Increase (Decrease) in Working Capital	$ (79,154)	$ 392,896
WORKING CAPITAL — end of year	$ 417,477	$ 496,631

NOTE TO FINANCIAL STATEMENTS

DECEMBER 31, 1968

Total remuneration paid during the year ended December 31, 1968 to directors and senior officers as defined by the Ontario Corporations Act amounted to $50,142.

Upper: Excavation for mill building complex.
Lower: Tramming rock on the 300 foot level crosscut.

REPORT OF THE MINE MANAGER

Introduction

The report describes briefly the work accomplished at the Eagle Gold Mines Limited property in Joutel Township in North-Western Quebec during the year 1968.

1) Shaft Development

The shaft sinking was completed to a depth of 1860 feet in July according to the following totals:—

	Sinking (ft.)	Station (cu. ft.)	Lip Pocket (cu. ft.)
1967 Totals	828	52,118	1,767
1968 Totals	1,032	92,871	15,918**
Totals to date	1,860	144,989	17,685**

** This includes the excavation for a loading pocket at elevation 1710 and a spill pocket at elevation 1760.

Six shaft stations were cut at 900 foot, 1050 foot, 1200 foot, 1350 foot, 1500 foot, 1650 foot and 1800 foot elevations.

The loading and spill pocket installations were completed and a steel bearing set was installed at the 1824 foot level to facilitate any subsequent shaft deepening operation. In addition to the above and for the same purpose the manway compartment size was increased from 4'6" x 6'0" to 6'0" x 6'0" beginning at the 1650 level and continuing to the shaft bottom and the electric cables, and water, air, pump discharge, drain and ventilation pipes were moved outside of the manway compartment.

An additional two feet of rock was excavated on the manway compartment end to permit the installation of an "outside of the timber" temporary shaft manway during any subsequent shaft-deepening period.

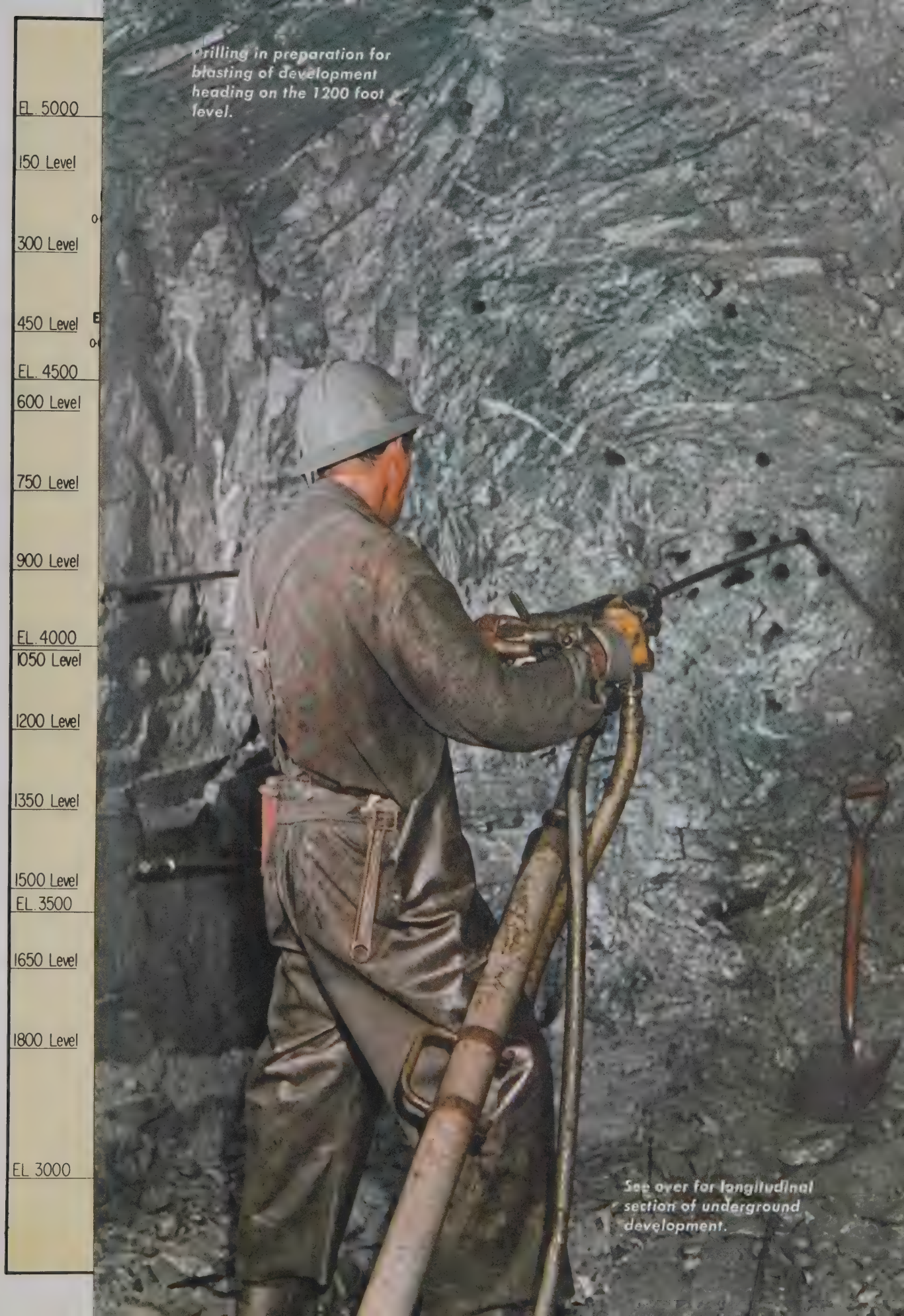
The dump doors, deck doors, buckets, x-heads, blasting set, mechanical mucker and other shaft sinking equipment were removed and two five ton capacity bottom dump skip-cage combinations, dump plates and transfer cars were installed. The one inch diameter sinking ropes and the hoist drum lagging for same were removed and one and one quarter inch ropes were installed. The waste slide was removed and replaced by one of more substantial design. Lip pockets were installed on the 1500, 1350, 1200, 1050, 900 and 750 levels. Multistage pumping was accomplished by installing temporary pump and sump arrangements on the 1500 and 1800 foot levels and a submersible electric pump in the shaft bottom to complement the existing pump and sump arrangement on the 750 level. Shaft gates, tite lining at all shaft stations and the installation of signals, telephones, pump electrics, underground lighting and cage-call signals at every level completed the preparation for lateral development, raising and diamond drilling. The shaft house floor was concreted and a Jeffrey vibrating feeder and belt conveyor for truck loading of waste or ore were installed. Two surface maintenance doors were purchased in December and will be installed shortly.

2) Mine Development

(a) Drifting and x-cutting were carried out on six levels, 1500, 1350, 1200, 1050, 900 and 750.

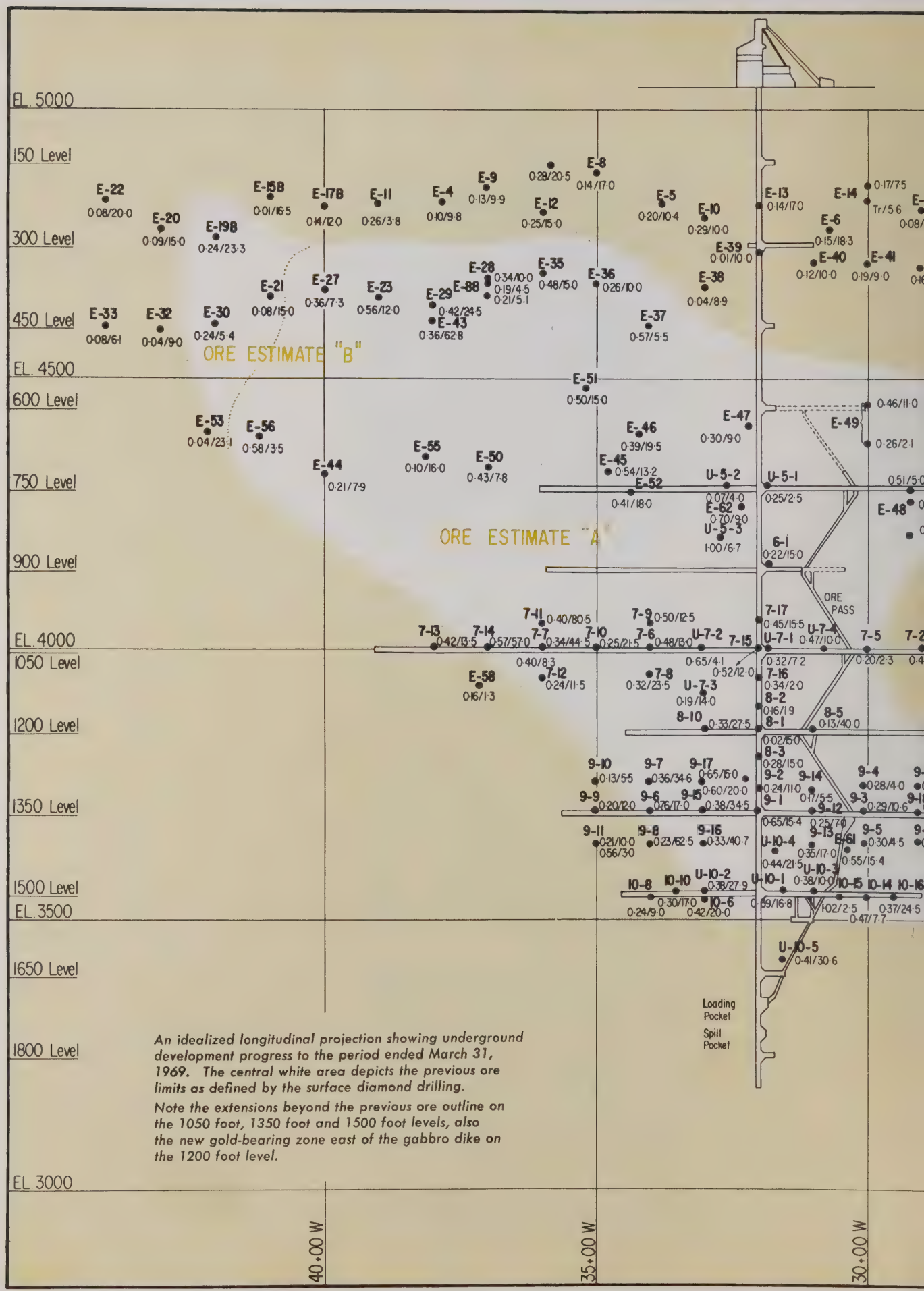
(b) Raising was completed from the loading pocket at the 1710 foot level to a breakthrough on the 900 level in late December to yield an ore pass complete with finger raises at each level and control chains on every second level.

Cage and skip combination at top of shaft.



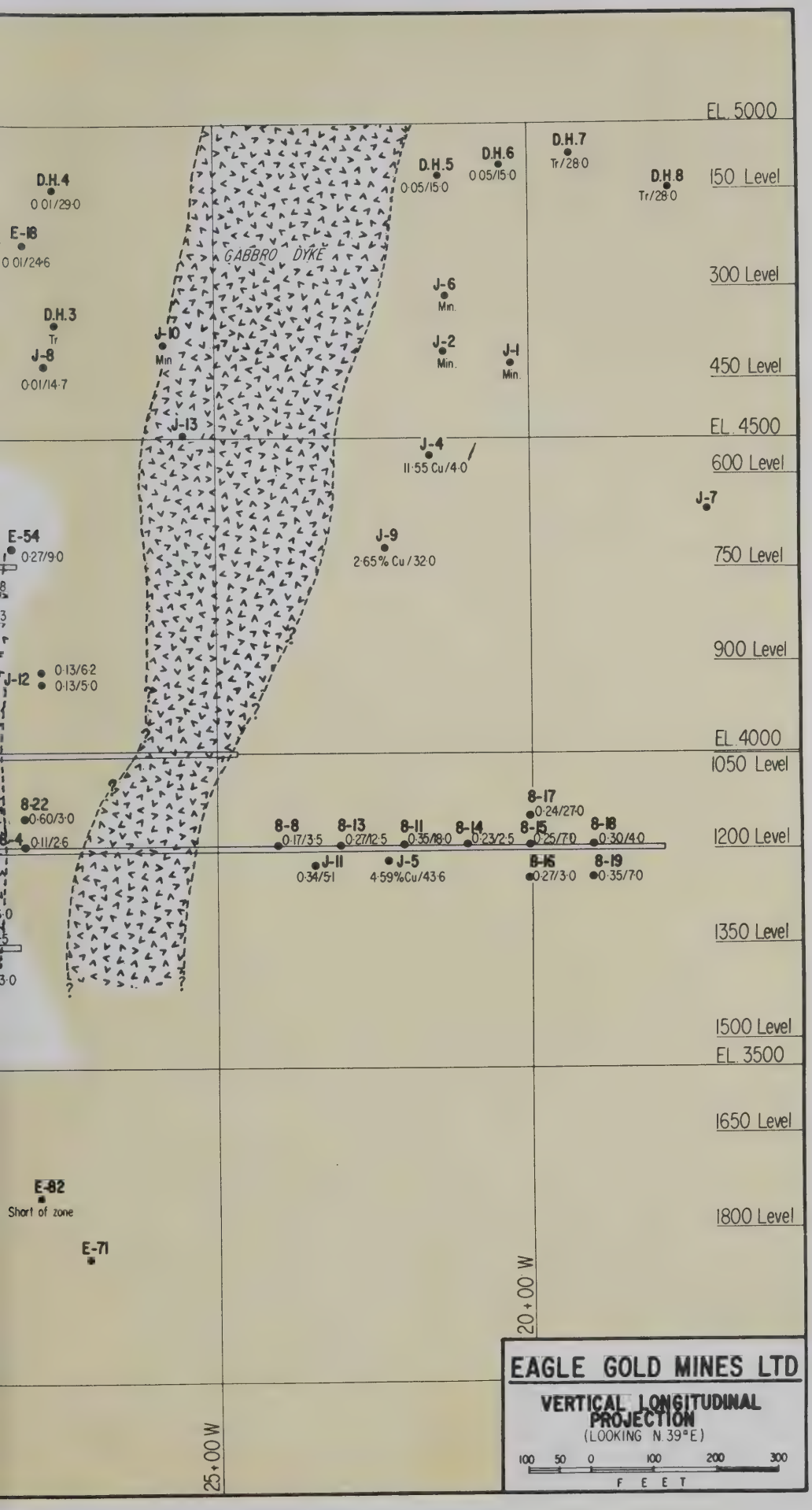
Drilling in preparation for blasting of development heading on the 1200 foot level.

See over for longitudinal section of underground development.



An idealized longitudinal projection showing underground development progress to the period ended March 31, 1969. The central white area depicts the previous ore limits as defined by the surface diamond drilling.

Note the extensions beyond the previous ore outline on the 1050 foot, 1350 foot and 1500 foot levels, also the new gold-bearing zone east of the gabbro dike on the 1200 foot level.


EL. 5000
150 Level
300 Level
450 Level
EL. 4500
600 Level
750 Level
900 Level
EL. 4000
1050 Level
1200 Level
1350 Level
1500 Level
EL. 3500
1650 Level
1800 Level
GABBRO DYKE
D.H.4
0 01/29·0
E-18
0 01/24·6
D.H.3
Tr
J-8
0·01/14·7
J-10
Min
J-13
D.H.5
0·05/15·0
D.H.6
0·05/15·0
D.H.7
Tr/28·0
D.H.8
Tr/28·0
J-6
Min.
J-2
Min.
J-1
Min.
J-4
11·55 Cu/4·0
J-7
J-9
2·65% Cu/32·0
E-54
0·27/9·0
J-12
0·13/6·2
0·13/5·0
8-22
0·60/3·0
8-4
0·11/2·6
8-8
0·17/3·5
8-13
0·27/12·5
8-11
0·35/18·0
8-14
0·23/2·5
8-17
0·24/27·0
8-15
0·25/7·0
8-18
0·30/4·0
J-11
0·34/5·1
J-5
4·59%Cu/43·6
8-16
0·27/3·0
8-19
0·35/7·0
E-82
Short of zone
E-71
20+00 W
25+00 W
EAGLE GOLD MINES LTD
VERTICAL LONGITUDINAL PROJECTION
(LOOKING N.39°E)
100 50 0 100 200 300
FEET

In Appreciation

Walter F. Brown, B.Sc., P.Eng.
1903 - 1969

Mr. Walter F. Brown died on January 15, 1969, following a brief illness. He had been associated with this company as consulting engineer since the present management assumed control late in 1966. His depth of experience and knowledge of the mining industry and his ability in evaluating mining economics and sound advice in engineering was a major contribution in the project now nearing fruition at the company's property in Joutel Twp., Quebec.

Mr. Brown graduated from McGill University in 1929 with a degree of Bachelor of Science in Mining Engineering. In a career spanning some 40 years, Mr. Brown was associated with several mining companies in various supervisory and consulting capacities. Following graduation he was employed by Dome Mines Limited in a junior supervisory job underground; from late 1930 to mid-1933 he was underground shift boss at Lake Shore Mines Limited; thereafter until late 1940 at Siscoe Gold Mines Limited, for the most part as General Superintendent.

In the period from late 1940 until September of 1955 when he established a private consulting mining engineering practice in Toronto, Mr. Brown was employed as Manager by Broulan Reef Mines Limited and its associated companies.

As a consulting mining engineer, he specialized in mine appraisal, evaluation, and feasibility studies, as well as in an advisory capacity on mine operating problems. His clients included many well known mining companies. He also made economic studies of various mining companies for Toronto stock brokerage firms.

Mr. Brown acted as a consultant for our associated companies, Mentor Exploration and Development Company Limited, Sudbury Contact Mines Limited, and Agnico Mines Limited.

Printed in Canada.

EAGLE GOLD MINES LIMITED

SEMI-ANNUAL REPORT FOR SIX MONTHS ENDED JUNE 30, 1984

EAGLE GOLD MINES LIMITED

SEMI-ANNUAL REPORT TO SHAREHOLDERS FOR SIX MONTHS PERIOD ENDED JUNE 30, 1968

Aerial picture, taken during March of 1968, is view of surface installation at gold property in Joutel Township, Quebec, looking northeast, Harricana River in background.

EAGLE GOLD MINES LIMITED

Officers

Paul Penna, President and Managing Director

Jean Geller, Secretary-Treasurer

Board of Directors

Archie Basen
Executive, American Louver of Canada Limited

Jean Geller
Bookkeeper, Jakmin Investments Limited

William L. Hogarth, Jr.
Executive, Associated Arcadia Nickel Corporation Limited

Paul Penna
Executive, Jakmin Investments Limited

Rupert F. Righton
Barrister, Shibley, Righton & McCutcheon

Consulting Engineer

Walter F. Brown, B.Sc., P.Eng.

Mine Manager

H. V. Pyke, B.Sc., P.Eng.

Shareholders' Auditors

Starkman, Kraft, Rothman, Berger & Grill
Chartered Accountants, Toronto, Ontario

Bankers

Canadian Imperial Bank of Commerce,
City Hall Branch, Toronto, Ontario

Royal Bank of Canada,
Head Office Branch, Toronto, Ontario

Registrar and Transfer Agent

Guaranty Trust Company of Canada
Toronto and Montreal, Canada

Executive and Head Office

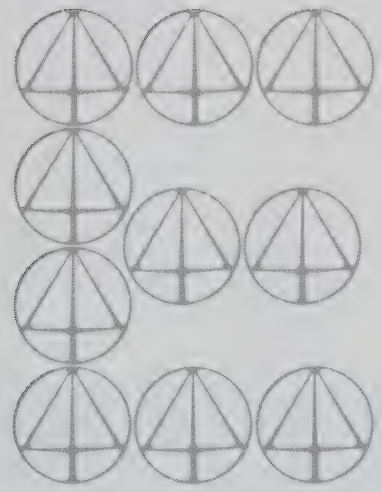
Suite 1101, 365 Bay Street,
Toronto, Ontario

Mine Office

P.O. Box 310,
Joutel, Quebec

Shares Listed

Canadian Stock Exchange,
Montreal, Quebec



DIRECTORS' REPORT

The Directors present the financial statements of the company for the six months ended June 30, 1968, together with comparative figures for the corresponding period in 1967.

The following is a summary of developments at the company's gold property in Joutel Township, Quebec, and a review of the current and scheduled program of underground development work.

Shaft Work

Sinking of the three-compartment production size shaft to a depth of 1,860 feet was completed on schedule during July. Twelve level stations have been cut at 150-foot intervals to the bottom level at 1,800 feet and the necessary hoisting, mining and other ancillary equipment installed and operative.

Driving of crosscuts on the 1,200-ft. and 1,500-ft. levels commenced on August 26th, concurrent with the start of an ore pass raise from the loading pocket.

This phase of the development will be expanded as quickly as possible to headings on all five levels from the 900-ft. to the 1,500-ft.

As previously reported, the work scheduled to be carried out during the approximate period between August 31, 1968 and March 31, 1969, is as follows:

Crosscutting	1,450 feet
Drifting	7,400 feet
Raising	2,225 feet
Diamond drilling	10,500 feet

This work may be varied and expanded as conditions warrant.

Reference can be made to the vertical longitudinal projection of the shaft and levels reproduced on the centrefold page of this report for a graphic illustration of the current and presently scheduled underground development work.

Underground Diamond Drilling

As originally planned, underground diamond drilling has been carried out from the 750, 1050 and 1500 level stations as these sites became available during the sinking of the shaft.

Essentially, the purpose of this drilling was to locate more accurately the gold-bearing mineralized zone outlined by earlier surface diamond drilling to aid in planning underground development work.

Three holes were drilled from the 750-ft. level and four holes from the 1,050-ft. level, the results of which were contained in the 1967 Annual Report.

During June, five holes were drilled from the 1,500-ft. level, assays of which were received early in July and are considered very encouraging in that there is apparent confirmation of the improvement of ore grade and widths at this horizon as indicated by the surface drilling. Moreover, one of the holes, No. U-10-5, intersected the zone approximately 120 feet below the 1,500-ft. level and gave the widest core intersection obtained to date in the underground drilling.

An idealized section and plan of these five holes drilled from the 1,500-ft. level is depicted alongside. The assays of these five holes are as follows:

Hole No.	Width	Ozs. Gold/Ton
U-10-1	16.8 ft.	0.40 oz.
U-10-2	27.9 ft.	0.38 oz.
U-10-3	10.1 ft.	0.38 oz.
U-10-4	21.5 ft.	0.44 oz.
U-10-5	30.6 ft.	0.41 oz.

Diamond drilling to test the probable extension of the ore zone to greater depth will be carried out concurrent with the present program of development work.

Previously, the estimate of 1,600,000 tons of ore averaging 0.41 ounces of gold per ton (including a 15% dilution factor) was based on surface drill indications between the approximate 300 foot horizon down to the then maximum tested depth of 1,500 feet. There is no known geological reason not to expect that the ore zone will extend considerably below the presently tested horizon.

Indicated Copper Zone

Particular emphasis is being placed on development work on the 1,200-ft. level where it is planned to extend the drive beyond the gabbro dyke (see centrefold projection) to explore the copper-gold zone indicated by surface diamond drilling.

This copper-gold zone was intersected by three surface diamond drill holes at various horizons between about 560 feet and 1,200 feet below surface. These holes are designated as J-4, J-9 and J-5, and only the copper content is shown on the appended longitudinal projection. It is, therefore, pertinent to repeat the assay results as reported in the 1967 Annual Report, as follows:

Drill Hole No.	Depth Below Surface	Intersection Copper/Gold
J-4	560 ft.	4.0 feet averaging 11.55% copper.
J-9	720 ft.	32.0 feet averaging 2.65% copper with 4.4 feet alongside of it averaging 0.50 ounces gold per ton.
J-5	1,200 ft.	43.6 feet averaging 4.56% copper with 7.8 feet (about 45 feet from the copper intersection) averaging 0.53 ounces gold per ton.

It is noted that no allowance has been made for the probable tonnage containing copper and gold in this zone in the calculation of estimated ore reserves. Information regarding the copper-gold zone is therefore essential to the planning of the contemplated production mill in terms of the optimum mining and milling rate and the type of mill required.

The present program of underground development work is being done under contract utilizing the contractor's equipment with supervision of the project being provided by the company's technical personnel. This will enable the company to make a thorough evaluation of the most efficient mining and stoping methods before committing itself to the purchase of such equipment.

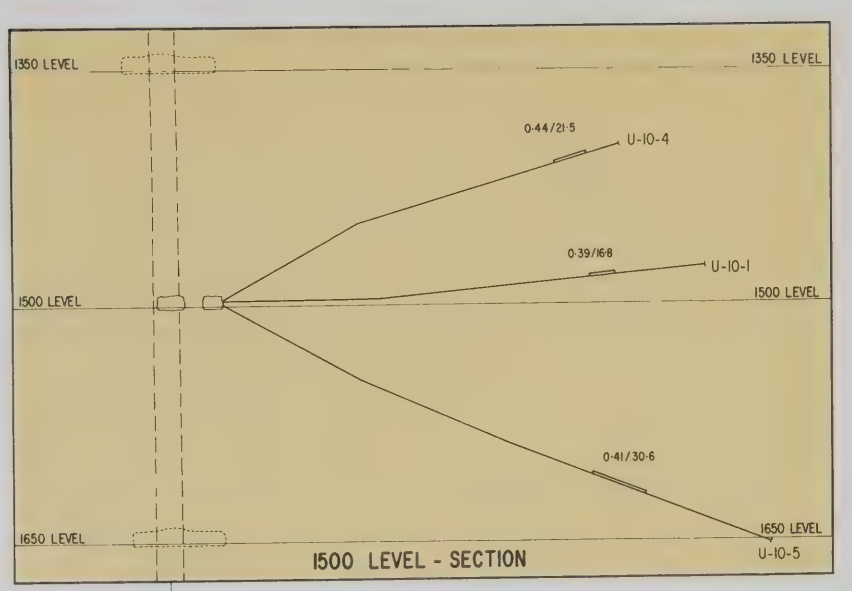
28 August 1968

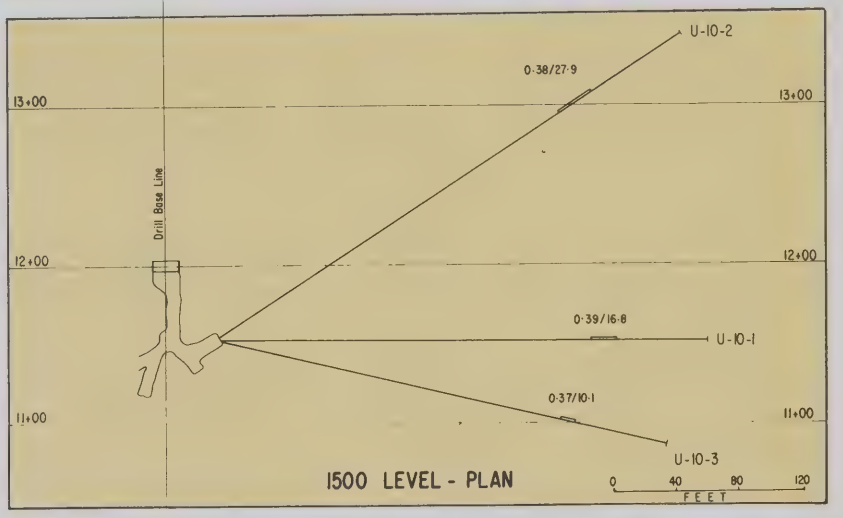
On behalf of the Board of Directors

"PAUL PENNA"
President and Managing Director

Alongside are two projections of the holes recently drilled from the 1,500-ft. level. The uppermost (section) depicts a vertical view of holes U-10-4, an up-hole drilled at an approximate angle of 28 degrees; U-10-1, a flat hole; and U-10-5, a down hole drilled at an approximate angle of 28 degrees. The vertical distance between the core intersections of these holes is about 200 feet.

The second projection (plan) is a horizontal view showing the approximate disposition of the other two holes, U-10-2 and U-10-3, as well as the flat hole, U-10-1 which was drilled at an approximate right angle to the shaft. The assays are expressed in ounces of gold per ton and width of drill core intersection, viz., 0.41 ounce of gold per ton across 30.6 feet. The intersections in these holes are close to true widths.





Diamond drilling from the 1,050-ft. level station.

The vertical longitudinal projection shown alongside shows the shaft and level stations as presently developed and the planned lateral development on the five levels from 900 feet to 1,500 feet.

The area on the right-hand side of the gabbro dyke shows the intersections of the three principal holes that cut the copper-gold zone. Only the copper values are expressed in respect to holes J-4, J-9 and J-5, viz., the percentage of contained copper per ton and the width of the drill core intersection. Example, Hole J-5 which intersected 4.59% copper across 43.6 feet. The gold values obtained in these holes are detailed in the text of the Directors' Report.

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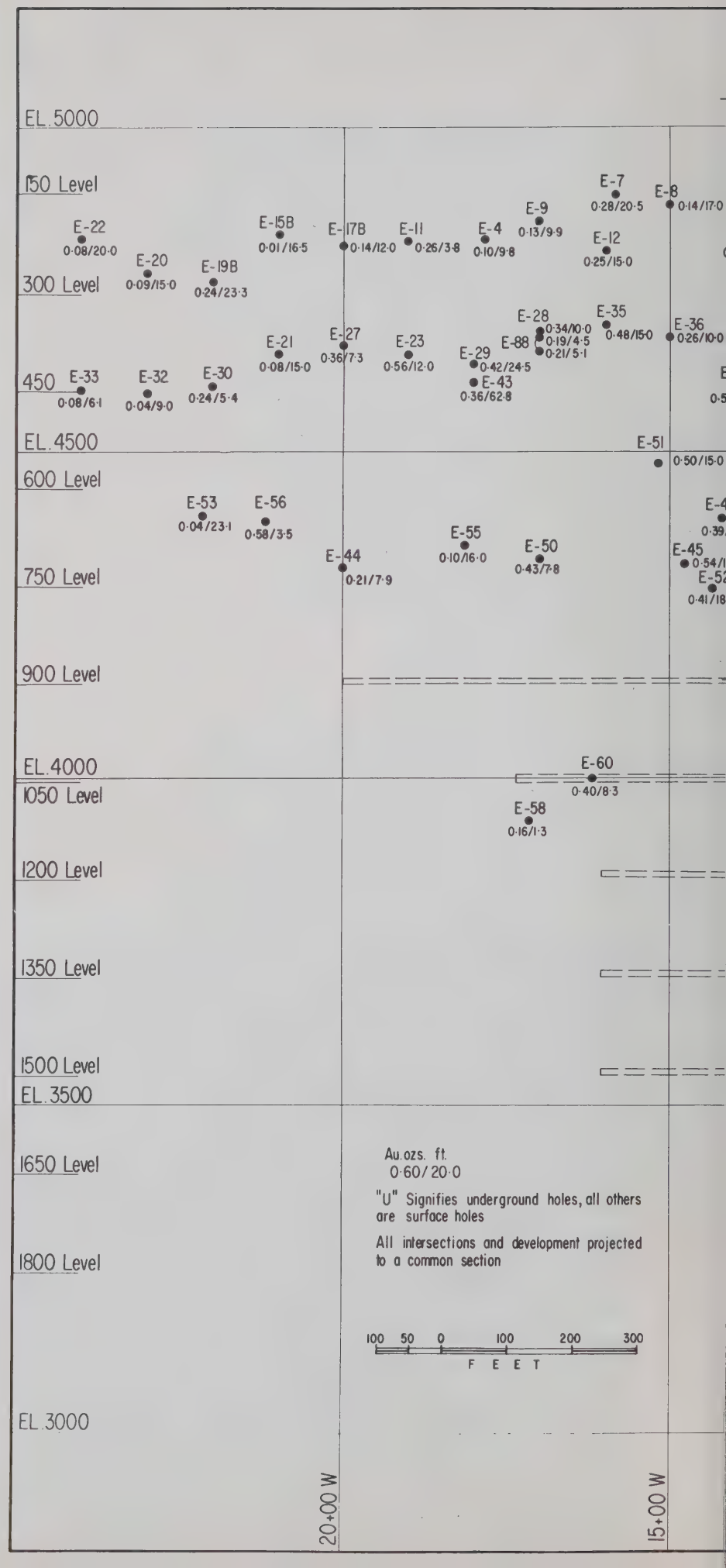
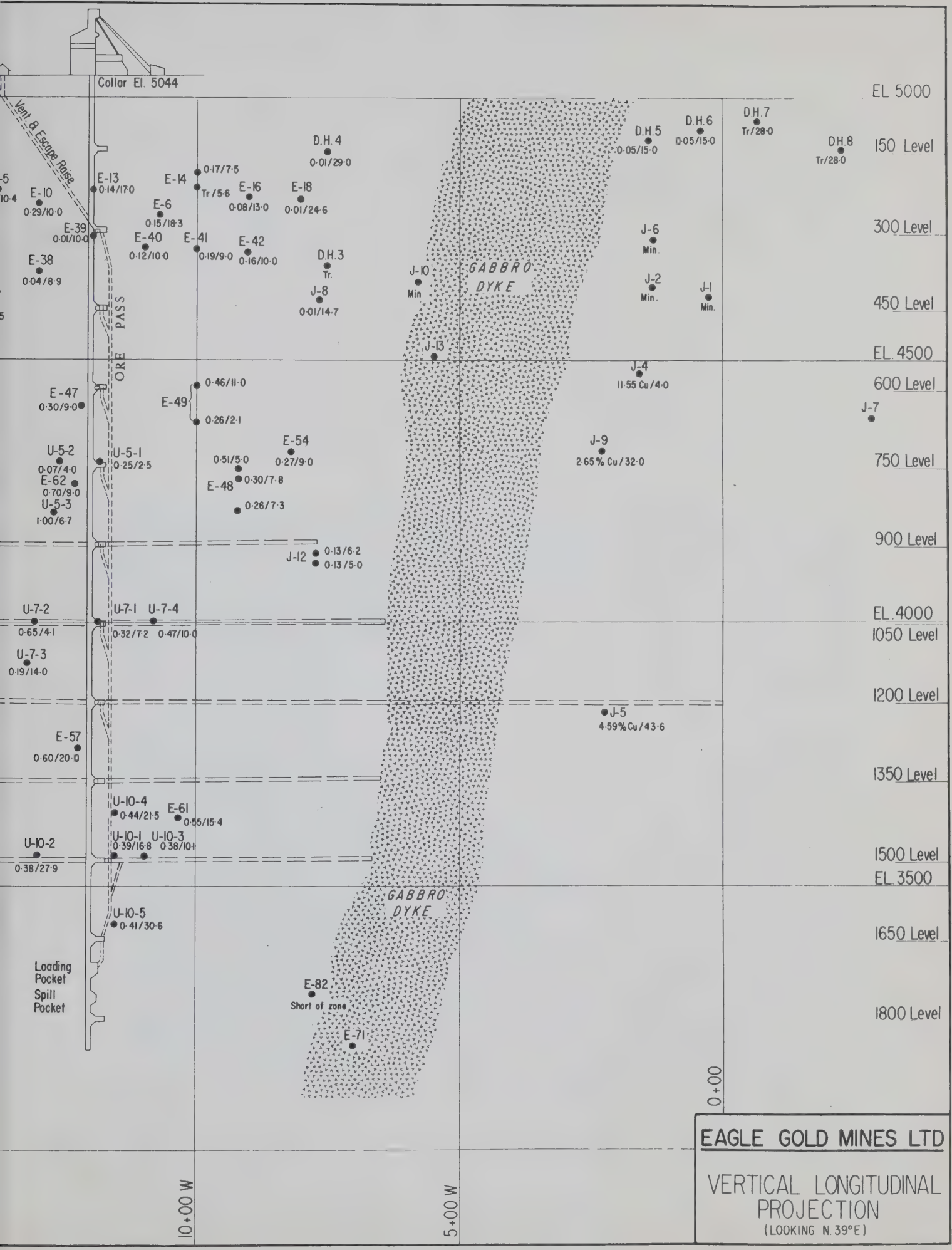
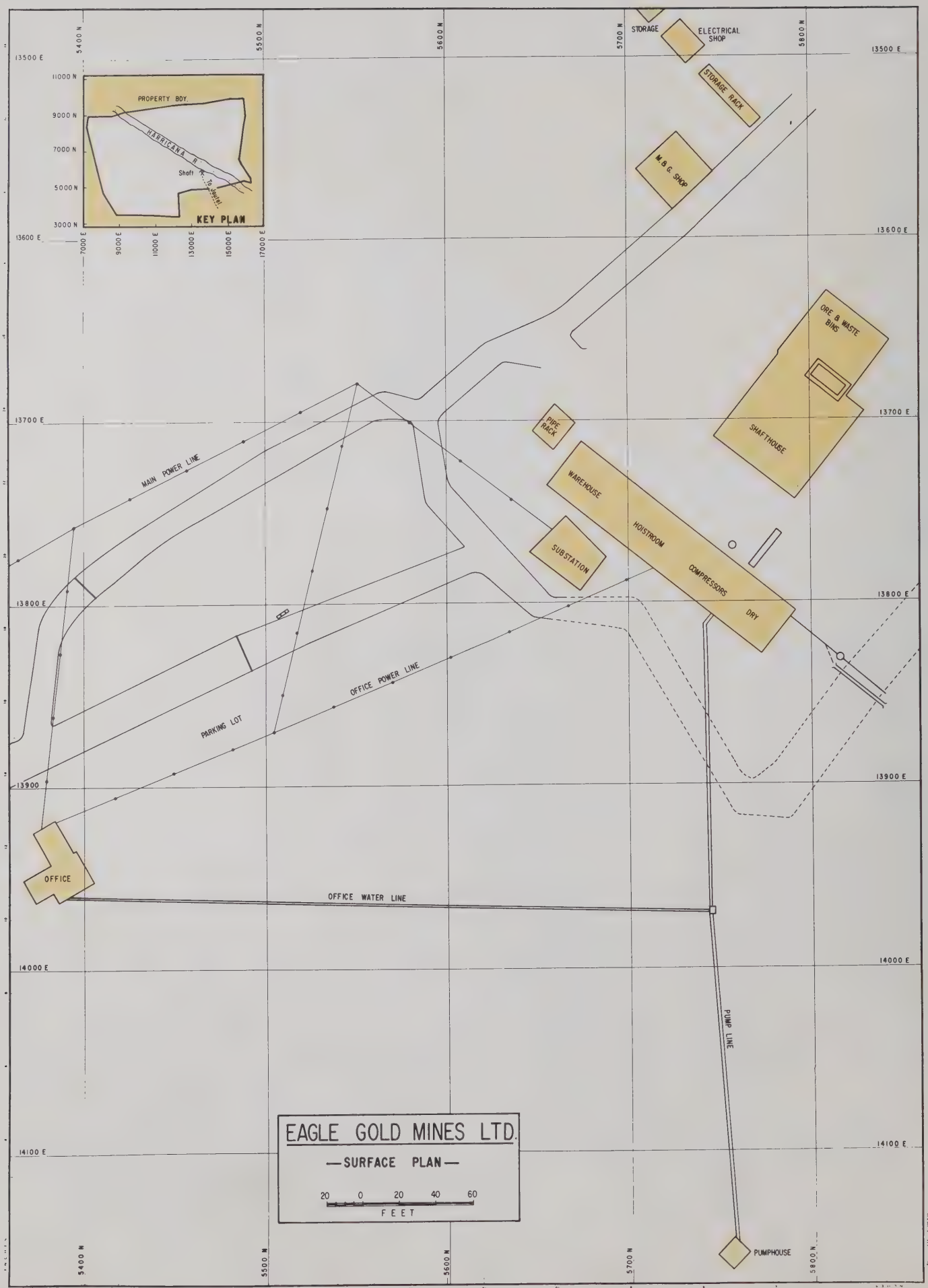


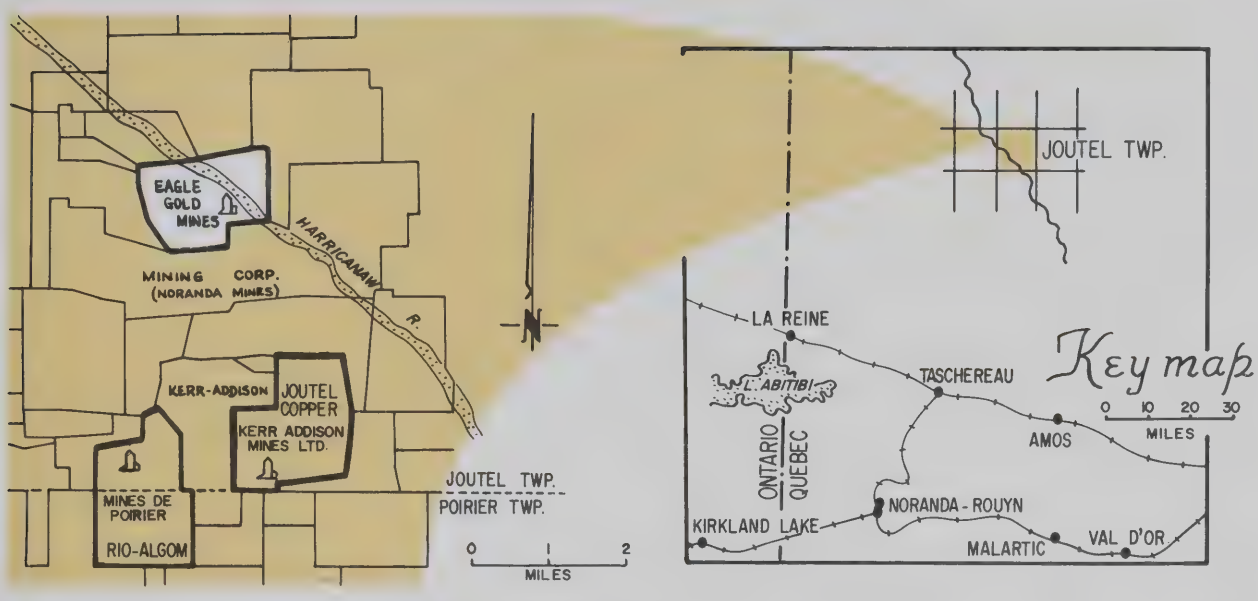


EAGLE GOLD MINES LTD

VERTICAL LONGITUDINAL PROJECTION

(LOOKING N. 39°E)


KEY PLAN
PROPERTY BDY.
HARRICANA R.
Shaft
To Level
11000 N
9000 N
7000 N
5000 N
3000 N
7000 E
9000 E
11000 E
13000 E
15000 E
17000 E
5400 N
5500 N
5600 N
5700 N
5800 N
13500 E
13600 E
13700 E
13800 E
13900 E
14000 E
14100 E
STORAGE
ELECTRICAL SHOP
STORAGE RACK
M. & G. SHOP
ORE & WASTE BINS
SHAFTHOUSE
PIPE RACK
WAREHOUSE
HOISTROOM
COMPRESSORS
DRY
SUBSTATION
MAIN POWER LINE
OFFICE POWER LINE
PARKING LOT
OFFICE
OFFICE WATER LINE
PUMP LINE
PUMPHOUSE
EAGLE GOLD MINES LTD.
—SURFACE PLAN—
20 0 20 40 60
FEET



This aerial view of the surface installation at the company's gold property will assist in the orientation of the 'Surface Plan' depicted alongside. The aerial view is looking approximately to the northeast with the service building (warehouse-hoistroom-compressors-dry) at right angles to the headframe. This picture was taken during the construction period March, 1968.

EAGLE GOLD MINES LIMITED

STATEMENT OF DEFERRED DEVELOPMENT EXPENSES
For the Period from January 1, 1968 to June 30, 1968
(With comparative figures for the period from January 1, 1967 to June 30, 1967)

	1968		1967	
Joutel Township — Group II				
Shaft sinking	$308,085.52		$29,255.32	
Engineers' fees and expenses	6,097.81		62,501.78	
Wages and salaries	50,759.34			
Mine supplies and expenses	28,967.82		37,426.19	
Heating and hydro	29,689.03			
Maintenance	14,730.16			
Consultant's fees and expenses	6,061.55		6,057.15	
Travelling expenses	912.79			
Licenses, taxes, insurance	6,417.77			
Telephone	1,827.42			
Assays	603.00			
Underground exploration	22,407.18			
Surface exploration	740.90			
Workmen's compensation	3,547.96			
Drilling			16,417.75	
Metallurgical expenses		$ 480,848.25	4,073.80	$ 155,731.99
Joutel Township — Group IV				
Drilling			$ 4,914.50	
Electromagnetic survey			4,390.00	9,304.50
McCaul Township				
Licenses, fees and taxes			$ 16.00	16.00
		$ 480,848.25		$ 165,052.49
Balance Deferred as at January 1		1,606,453.84		898,415.76
Balance Deferred as at June 30		$ 2,087,302.09		$ 1,063,468.25

EAGLE GOLD MINES LIMITED

STATEMENT OF DEFERRED ADMINISTRATIVE AND GENERAL EXPENSES

For the Period from January 1, 1968 to June 30, 1968

(With comparative figures for the period from January 1, 1967 to June 30, 1967)

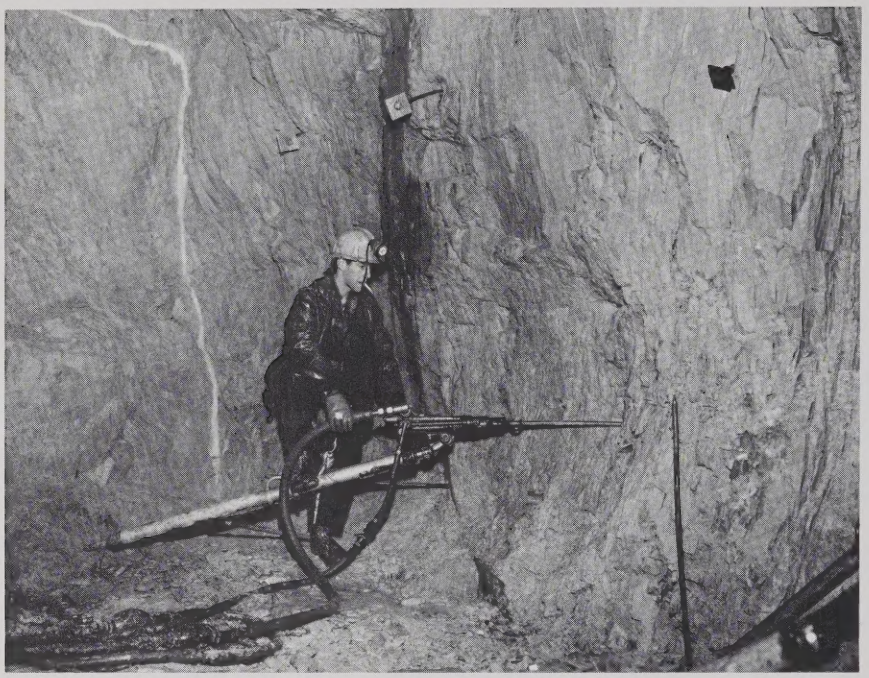
	1968	1967
Legal and audit	$ 18,489.38	$ 4,087.10
Office and general expenses, including shareholders' information and meeting expenses	28,454.01	9,080.35
Transfer agent's fees and expenses	13,339.07	2,999.15
Executive officers' salary	3,000.00	3,000.00
Head office services and secretarial fees	4,625.00	3,000.00
Share certificate expense	4,124.40	1,311.24
Directors' fees	350.00	450.00
Listing and filing fees	274.11	100.00
Government fees and taxes	180.63	
Bank charges and interest	—	2,349.37
	$ 72,836.60	$ 26,377.21
Less: Interest income	41,081.46	490.90
	$ 31,755.14	$ 25,886.31
Balance Deferred as at January 1	182,353.28	106,460.58
Balance Deferred as at June 30	$214,108.42	$132,346.89

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Period from January 1, 1968 to June 30, 1968

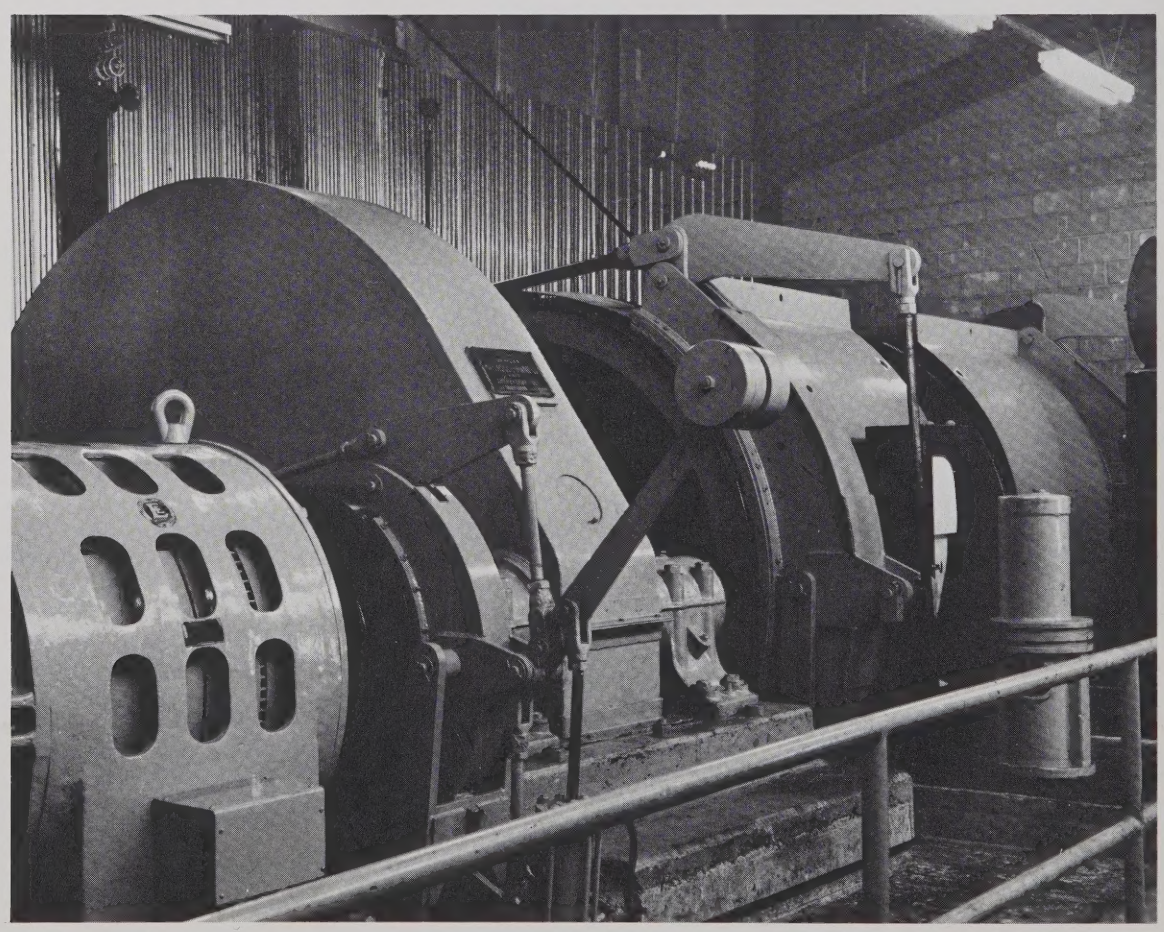
(With comparative figures for the period from January 1, 1967 to June 30, 1967)

	1968		1967	
Working Capital as at January 1		$ 496,632.01		$ 103,735.29
SOURCE OF FUNDS				
Sale of capital stock	$490,748.00		$500,000.00	
Premium on sale of capital stock	785,196.80	1,275,944.80	—	500,000.00
APPLICATION OF FUNDS				
Additions to fixed assets	$105,033.47		$612,968.15	
Development expense	480,848.25		165,052.49	
Administrative and general expenses	31,755.14		25,886.31	
Deposit — Quebec Hydro	—	617,636.86	18,300.00	822,206.95
Increase (Decrease) in Working Capital		658,307.94		(322,206.95)
WORKING CAPITAL — JUNE 30		$ 1,154,939.95		$(218,471.66)



Left: Jack leg drill in shaft drilling holes for blasting.

Below: Double drum hoist in the main service building.



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